

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2003-216-C - ORDER NO. 2003-583

OCTOBER 17, 2003

IN RE: Application of Metro Teleconnect	)	ORDER GRANTING	✓
Companies, Inc. for a Certificate of Public	)	MOTION FOR	
Convenience and Necessity to Provide Resold	)	EXPEDITED REVIEW and	
Interexchange Telecommunications and for	)	APPLICATION FOR	
Alternative Regulation.	)	AUTHORITY TO	
	)	PROVIDE	
	)	INTEREXCHANGE	
	)	SERVICES and	
	)	ALTERNATIVE	
	)	REGULATION OF ITS	
	)	SERVICES	

This matter comes before the Public Service Commission of South Carolina (the “Commission”) by way of the Application of Metro Teleconnect Companies, Inc. (Metro Teleconnect or the Company) requesting a Certificate of Public Convenience and Necessity authorizing it to operate as a reseller of interexchange telecommunications services within the State of South Carolina. Subsequent to the filing of the Application, Metro Teleconnect, by way of a Motion for Expedited Review, from the Company’s counsel, requested that the matter be scheduled for final disposition by the Commission at its earliest opportunity, rather than on a scheduled hearing date. Additionally, the Company requests that the Commission regulate Metro Teleconnect’s long distance business services, consumer card services, operator services and private line service offerings in accordance with the principles and procedures established for relaxed regulation in Order Nos. 95-1734 and 96-55 in Docket No. 95-661-C.

Metro Teleconnect is a corporation organized under the laws of the State of Pennsylvania and is authorized to transact business within the State of South Carolina by the Secretary of State. The record reveals that Metro Teleconnect was granted a Certificate of Public Convenience and Necessity to provide resold local exchange telecommunications services within the State of South Carolina in Docket No. 2002-140-C, Order No. 2002-576, dated August 14, 2002. Metro Teleconnect's corporate headquarters are located in Harrisburg, Pennsylvania.

The Commission's Executive Director instructed Metro Teleconnect to publish a prepared Notice of Filing in newspapers of general circulation in the areas affected by the Application. The purpose of the Notice of Filing was to provide notice of the Application to any interested parties and to advise interested parties of the manner and time in which to file pleadings to participate in the docket. Metro Teleconnect filed Affidavits of Publication as proof that it had complied with the instructions of the Executive Director. No Petitions to Intervene, letters of protest, or comments were received by the Commission with regard to the instant Application.

MOTION FOR EXPEDITED REVIEW

Subsequent to notice of the Application being published and after the return date expired with no intervention or opposition, Metro Teleconnect requested expedited review and waiver of a hearing in the matter. Metro Teleconnect also filed the verified testimony of Chad Hazam, President of Metro Teleconnect, to support the Application. The matter was then brought to the Commission for consideration.

Upon consideration of Metro Teleconnect's request for expedited review (waiver of hearing), the Commission finds that expedited review should be granted. In its request, Metro Teleconnect waived its right to a formal hearing. The Commission finds that notice of the Application was properly afforded to the public and that no interested person sought to become a party to the proceeding. The Commission finds that procedural due process was afforded in this matter and further finds that Metro Teleconnect made a knowing waiver of a formal hearing. Therefore, the Commission will consider the Application in the context of its regularly scheduled weekly meeting, with court reporter present, and for purposes of the expedited review, the Commission will deem the examination of the Application and verified testimony during the course of the Commission's regularly scheduled meeting with court reporter present as a hearing on this matter.

Mr. Hazam is the President of Metro Teleconnect. He is a graduate of the University of Pennsylvania, where he studied business and economics at the Wharton School. Mr. Hazam subsequently earned a law degree from George Washington Law School, graduating with honors. The testimony reveals that Mr. Hazam has significant experience in the telecommunications business, beginning with his founding of Cellular Rentals, Inc., the predecessor to Metro Teleconnect.

According to the record, Metro Teleconnect is duly incorporated and in good standing in the Commonwealth of Pennsylvania; the Company is authorized to conduct business in the State of South Carolina. Metro Teleconnect was authorized to provide local exchange services in South Carolina by Order No. 2002-576, dated August 14,

2002, in Docket No. 2002-140-C. The purpose of Mr. Hazam's testimony is to describe Metro Teleconnect's Application for a Certificate of Public Convenience and Necessity to provide resold interexchange services to the public in South Carolina. He describes the financial, managerial, and technical resources and abilities of Metro Teleconnect, in order to demonstrate that Metro Teleconnect is qualified to provide telecommunications services in South Carolina.

Metro Teleconnect seeks authority to provide resold interexchange telecommunications services throughout South Carolina. The Company will use direct marketing methods, including advertising, in order to market its services. Metro Teleconnect will bill its customers directly or through a billing agent. Customers with inquiries may contact Metro Teleconnect's Customer Service Department at no charge by calling the toll-free number printed on each bill.

In describing the Company's managerial team, Mr. Hazam opined that Metro Teleconnect's management team is well-qualified to execute its business plan, to provide its proposed telecommunications services, and to operate and maintain Company facilities in South Carolina. Other members of the management team include Karis Lewellen-Hazam, Vice President of the Company, and Jerry Bankes, Chief Financial Officer. Ms. Lewellen-Hazam is the co-founder and Vice-President of Metro Teleconnect. Ms. Hazam, who oversees the operations of the Company, is involved in marketing, customer care and carrier relations. Ms. Hazam graduated from Houghton College with a Bachelor of Arts in Chemistry and a Math minor; she attended business school in Rochester, New York, where she was certified in computer programming. Mr.

Bankes graduated from Penn State University in 1991 with a Bachelor's degree in professional accounting. After graduating, Mr. Bankes accepted a position as Controller of a start-up franchise called "Pretzel Time" that made hand-rolled soft pretzels. The company received national attention from "Entrepreneur Magazine" and was ranked one of the top 20 fastest growing franchises in the country. In 1996, Mr. Bankes accepted the position of Controller with a rent-to-own business owned by Mr. Hazam. During his tenure, Mr. Bankes implemented a fully integrated accounting system and compiled financial statements and cash flow statements for 21 stores. In May of 1997, Family Rentals was sold to Renters Choice, a national public company. The following month, Mr. Banks accepted a position as Controller for Metro Teleconnect.

Regarding the Company's financial resources to provide telecommunications services in South Carolina, Mr. Hazam opined that Metro Teleconnect has the financial resources to serve the public as proposed in its Application, and is financially committed to providing superior telecommunication services. Mr. Hazam testified that Exhibit B to Metro Teleconnect's Application, the Company's financial statements for the twelve months ending December 31, 2002, demonstrates that Metro Teleconnect possesses the financial resources necessary to fulfill any obligations that the Company may undertake with respect to the operation and maintenance of the services proposed in the Application.

The Company requests a waiver of the requirements in Rule 103-610 that all records required under the Rules be kept within the State. Metro Teleconnect maintains its records at its corporate headquarters in Pennsylvania and therefore requests

Commission approval to maintain its records in Pennsylvania. The Company agrees to make those records available to the Commission Staff upon reasonable request.

Metro Teleconnect also requests that it be exempt from any Commission policy governing record keeping that might require the Company to maintain its financial records in conformance with the Uniform System of Accounts (USOA). The Application states that the USOA was developed by the Federal Communications Commission as a means of regulating telecommunications companies subject to rate base regulation. As a competitive carrier, Metro Teleconnect will not be subject to rate base regulation and therefore requests Commission approval to maintain its books in accordance with Generally Accepted Accounting Principles (GAAP).

Metro Teleconnect states a desire to have its long distance business services, including consumer card services, operator services, and private line services offerings regulated by modified alternative regulation. Metro Teleconnect requested that all of its long distance business service offerings be regulated pursuant to the procedures described and set out in Order Nos. 95-1734 and 96-55 in Docket No. 95-661-C. It is Metro Teleconnect's intent by this request to have its long distance business services regulated in the same manner as this Commission has permitted for AT&T Communications of the Southern States. Alternative regulation has now been modified by this Commission through the re-imposition of rate caps with regard to certain "operator assisted calls" where a customer uses a local exchange carrier's calling card to complete calls from locations which have not selected that local exchange carrier as the toll provider. Order No. 2001-997, dated November 8, 2001, imposed a maximum cap of \$1.75 for operator

surcharges for such calls, and a maximum cap of \$0.35 related to the flat per-minute rate associated with these calls.

Upon review and consideration of the Application, the verified testimony of Mr. Hazam, and the applicable law, the Commission hereby issues its findings of fact and conclusions of law:

FINDINGS OF FACT

1. Metro Teleconnect is organized as a limited liability company under the laws of the State of Pennsylvania and has been authorized by the Secretary of State to transact business within the State of South Carolina.

2. Metro Teleconnect is a provider of local telecommunications services and wishes to provide long distance services in South Carolina.

3. Metro Teleconnect has the experience, capability, and financial resources to provide the services as described in its Application.

4. The Commission finds that Metro Teleconnect should be granted a waiver of 26 S.C. Code Regs. 103-610 requiring that reports and records be maintained within the State of South Carolina.

5. The Commission finds it appropriate for Metro Teleconnect's interexchange telecommunications services to be regulated in accordance with procedures established in Order Numbers 95-1734 and 96-55 in Docket Number 95-661-C, as modified by Order Number 2001-997 in Docket Number 2000-407-C.

6. The Commission finds that Metro Teleconnect should be allowed to use GAAP for financial reporting and record keeping.

CONCLUSIONS OF LAW

1. Based on the above findings of fact, the Commission determines that a Certificate of Public Convenience and Necessity should be granted to Metro Teleconnect to provide intrastate interLATA service and to originate and terminate toll traffic within the same LATA, as set forth herein, through the resale of intrastate Wide Area Telecommunications Services (WATS), Message Telecommunications Service (MTS), Foreign Exchange Service, Private Line Service, or any other services authorized for resale by tariffs of carriers approved by the Commission.

2. The Commission adopts a rate design for Metro Teleconnect for its resale of interexchange services which includes only maximum rate levels for each residential tariff charge. A rate structure incorporating maximum rate levels with the flexibility for adjustment below the maximum rate levels has been previously adopted by the Commission. In Re: Application of GTE Sprint Communications Corporation, etc., Order No. 84-622, issued in Docket No. 84-10-C (August 2, 1984).

3. Metro Teleconnect shall not adjust its interexchange residential rates below the approved maximum level without notice to the Commission and to the public. Metro Teleconnect shall file its proposed rate changes, publish its notice of such changes, and file affidavits of publication with the Commission two weeks prior to the effective date of the changes. However, the public notice requirement is waived, and therefore not required, for reductions below the maximum cap in instances which do not affect the general body of subscribers or do not constitute a general rate reduction. In Re: Application of GTE Sprint Communications, etc., Order No. 93-638, issued in Docket

No. 84-10-C (July 16, 1993). Any proposed increase in the maximum rate level for interexchange residential services reflected in the tariff, which would be applicable to the general body of the Company's subscribers, shall constitute a general ratemaking proceeding and will be treated in accordance with the notice and hearing provision of S.C. Code Ann. §58-9-540 (Supp. 2002).

4. The Commission adopts a rate design for the interexchange business services of Metro Teleconnect consistent with the principles and procedures established for alternative regulation of long distance business service offerings set out in Order Nos. 95-1734 and 96-55 in Docket No. 95-661-C and modified by Order No. 2001-997. Following the modification of the alternative regulation by Commission Order No. 2001-997, this form of regulation is commonly referred to by the Commission, Staff, and others as "modified alternative regulation."

Under the Commission approved modified alternative regulation, the business service offerings of Metro Teleconnect, including consumer card services, operator services and private line services, are subject to a relaxed regulatory scheme identical to that granted to AT&T Communications in Order Nos. 95-1734 and 96-55 in Docket No. 95-661-C. However, pursuant to Order No. 2001-997 issued in Docket No. 2000-407-C, this Commission has modified the previously approved alternative regulation by the re-imposition of rate caps with regard to certain "operator-assisted calls" where a customer uses a local exchange carrier's calling card to complete calls from locations which have not selected that local exchange carrier as the toll provider. Order No. 2001-997, dated November 8, 2001, imposed a maximum cap of \$1.75 for operator surcharges for such

calls, and a maximum cap of \$0.35 related to the flat per-minute rate associated with these calls. Under this relaxed regulatory scheme known as modified alternative regulation, tariff filings for business services shall be presumed valid upon filing. The Commission will have seven (7) days in which to institute an investigation of any tariff filing. If the Commission institutes an investigation of a particular tariff filing within the seven days, the tariff filing will then be suspended until further Order of the Commission. Any relaxation in the future reporting requirements that may be adopted for AT&T shall apply to Metro Teleconnect also.

5. If it has not already done so by the date of issuance of this Order, Metro Teleconnect shall file its revised tariff and an accompanying price list within thirty (30) days of receipt of this Order. The revised tariff shall be consistent with the findings of this Order and shall be consistent with the Commission's Rules and Regulations. Further, Metro Teleconnect shall file a copy of its Bill Form as required by 26 S.C. Code Ann. Regs. 103-612.2.2 and 103-622.1 (1976) with its final Tariff.

6. Metro Teleconnect is subject to access charges pursuant to Commission Order No. 86-584, in which the Commission determined that for access purposes resellers and facilities-based interexchange carriers should be treated similarly.

7. With regard to the Company's resale of service, an end-user should be able to access another interexchange carrier or operator service provider if the end-user so desires.

8. Metro Teleconnect shall resell the services of only those interexchange carriers or LECs authorized to do business in South Carolina by this Commission. If Metro Teleconnect changes underlying carriers, it shall notify the Commission in writing.

9. Metro Teleconnect shall file annual financial information in the form of annual reports and gross receipts reports as required by the Commission. Both the annual report and the gross receipt report will necessitate the filing of intrastate information. Therefore, Metro Teleconnect shall keep financial records on an intrastate basis for South Carolina in order to comply with the Commission's requirements of filing an annual report and a gross receipts report. The proper form for filing annual financial information for the annual report may be found on the Commission's website at www.psc.state.sc.us/forms. The title of this form is "Annual Information on South Carolina Operations for Interexchange Companies and AOS," and the proper form may be found under one of the links entitled "Annual Report." The Company shall file the annual report form with the Commission by April 1 of each year. Commission gross receipts forms are due to be filed with the Commission no later than August 31st of each year. The appropriate form for remitting information for gross receipts is entitled "Gross Receipts Form for Utility Companies" and may be found on the Commission's website at www.psc.state.sc.us/forms.

10. The Company shall, in compliance with Commission regulations, designate and maintain an authorized utility representative who is prepared to discuss, on a regulatory level, customer relations (complaint) matters, engineering operations, tests and repairs. In addition, the Company shall provide to the Commission in writing the

name of the authorized representative to be contacted in connection with general management duties as well as emergencies which occur during non-office hours.

Metro Teleconnect shall file the names, addresses and telephone numbers of these representatives with the Commission within thirty (30) days of receipt of this Order. The “Authorized Utility Representative Information” form can be found at the Commission’s website at www.psc.state.sc.us/forms; this form shall be utilized for the provision of this information to the Commission. Further, the Company shall promptly notify the Commission in writing if the representatives are replaced.

11. With regard to the origination and termination of toll calls within the same LATA, Metro Teleconnect shall comply with the terms of Order No. 93-462, Order Approving Stipulation and Agreement, in Docket Nos. 92-182-C, 92-183-C, and 92-200-C (June 3, 1993), with the exception of the 10-XXX intraLATA dialing requirement, which has been rendered obsolete by the toll dialing parity rules established by the Federal Communications Commission pursuant to the Telecommunications Act of 1996 (See, 47 CFR 51.209). Specifically, the Company shall comply with the imputation standard as adopted by Order No. 93-462 and more fully described in paragraph 4 of the Stipulation and Appendix B approved by order No. 93-462.

12. Each telecommunications company certified in South Carolina is required to file annually the Intrastate State Universal Service Fund (USF) worksheet. This worksheet provides the Commission Staff information required to determine each telecommunications company’s liability to the State USF fund. The Intrastate USF worksheet is due to be filed annually no later than August 15th.

13. We grant Metro Teleconnect's request for a waiver of 26 S.C. Code Ann. Regs. 103-610, which requires books and records to be kept in South Carolina. The Company desires to keep its books and records at its principal place of business in Harrisburg, Pennsylvania. We also find that it would be unusually difficult for the Company to maintain its books and records in South Carolina as the Company's principal place of business is located in Pennsylvania. Further, we find that it is in the public interest that Metro Teleconnect be allowed to maintain its books and records at its principal place of business. We also grant the Company's request to utilize GAAP for financial reporting and record keeping. These books and records must be made available to the Commission at its request. The Company is directed to comply with all Rules and Regulations of the Commission, unless a regulation is specifically waived by the Commission.

14. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:



Mignon L. Clyburn, Chairman

ATTEST:



Bruce F. Duke, Acting Executive Director

(SEAL)